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INTERNATIONAL RATIONING

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Proceeding out of the congregative instinct to which all self-governing animals give themselves when in prolonged trouble, mankind is now dividing itself into two main camps of warlike and economic action. Each camp aims to make of itself a complete economic entity, self-sustaining and aggressively independent. Rationing schemes under governmental authority and administered by semi-official committees are everywhere in evidence.

I propose the idea that the plan of national and international rationing grows out of the instinct of self-preservation and will continue, under the stress of economic pressure following the war, to be a permanent feature of civilization.

Let me describe to you briefly the European committees in operation. Many of these do not confine their supervision to food-stuffs or industrial materials although it is true that all of them have a direct bearing on the ebb and flow of commodities in the final analysis.

In London we have:

1. *The Contraband Committee* whose purpose is self-evident;
2. *The War Trade Intelligence Department* whose duty it is to see that individuals and concerns are prohibited from supplying the enemy with useful intelligence, credit, foodstuffs or other materials;
3. *A War Trade Statistical Department* which collects data proving the normal and extraordinary needs of markets at home, in enemy countries and in neutral countries; its recommendations are the basis for action by most of the other committees;
4. *A War Trade Department* which concerns itself with licensing exports, especially wool, cotton, rubber and tin; one of its chief duties is to supervise the exportation of these materials in amounts adequate to the fulfillment of British war contracts in this country;
5. *A Ministry of Shipping* within whose control rests the disposition of practically all the European ocean tonnage in the hands of private concerns or of governments outside of Germany; it corresponds to our own shipping board but has the additional privilege of taking over the management of neutral and allied merchant fleets;
6. *A Coal Exports Committee* whose purpose is plain;

7. *A Commission for Re-Victualment*; this is perhaps the most important of them all inasmuch as it lays down a rigid program of allotment on foods and raw materials for every country within the influence of Great Britain, and there is no appeal from its decisions, especially on materials controlled by the British government.

The French committees are, of course, more limited in number, due to the fact that a large part of allied responsibility has been willingly placed on the shoulders of the British committees which I have mentioned. At present I might list the French committees as follows:

1. *A Committee for Restricting the Provisioning and Commerce of the Enemy*; it is composed of representatives technically qualified to decide either on the indispensability of a product of enemy origin or on the advisability of accepting requisitions presented by private persons for said products or merchandise, the importation of which is generally prohibited in view of their origin. The findings of this committee serve as a technical basis for decisions by the French administration. Its official members are exclusively French scientists, but its meetings are attended by representatives of the Italian and Russian embassies at Paris and by one of the British Embassy secretaries; these three outside collaborators act as friendly counsellors and not as members.

2. *An International Committee on Contingents*, the word "contingent" being used here in a technical sense that did not obtain prior to the war. The committee is charged with the study and determination of cases relative to Switzerland's need of merchandise that must find its way across France and Italy to destination. As in the case of other committees its resolutions are based on comparative statistics for peace and war times, it being the purpose to eliminate whatever part of the importation is plainly intended for the Central Empires. The members of this commission are men of technical training in custom duties and research of a like nature. There is practically nothing opinionative about their work, it being exclusively a matter of proven data. There is another name for this committee in French terms that has been abbreviated to the rather famous expression "S. S. S.," meaning Swiss Society on Economic Surveillance.

3. *A Permanent International Committee of Economic Action*; this is composed of representatives of the various allied governments and met first at Paris in June, 1916, to adopt resolutions for an economic alliance between the Entente Allies that would continue after the war. It has deliberated and decided on all matters relating to the blockade and especially relating to questions of insurance, black lists and contraband. It is in effect the French side of several London committees supervising blockade, war intelligence and insurance.

It has been impossible, of course, to keep strict lines of demarcation between the activities of these three French committees, but danger of duplication and of conflicting action is reduced to a minimum by the close supervision of Baron Denys Cochin who is the president of all three committees.

It can hardly be said that both the London and Paris committees are actuated by identical motives, although in a general way they follow the lines which we in this country have adopted to conserve first of all for ourselves the products that we most need. Quite naturally, too, the declared principle of conservation is used sometimes to serve a policy of protection to home trade. I may give you the instance of a certain country which declined politely to discuss the lifting of an embargo on its imports because it claimed the right to restrict purchases by its citizens on the ground of public economy, of conservation of wharf and railroad facilities, of saving freight handling and of lack of ocean tonnage. In the end, however, these arguments were not strong enough to conceal a powerful effort on the part of certain capital interests in that country to build up a manufacturing monopoly in a group of commodities which have always been imported heretofore. The abuse is not general; nor is it always inexcusable.

Our own rationing scheme is a very simple matter, but not being thoroughly understood by the public in general, I make free to describe it as follows:

Under proclamation by the President, to whom power is delegated by Congress, the principle has been adopted that we must first of all conserve our own products where they are most needed by our own people. Our surplus—and we will figure it liberally—goes in just proportions to our associates in the war, particularly when their armies must be served; out of this surplus we must also allot something to the neutral nations of the world where their loyalty to our cause is beyond question.

The policy underlying our conservation plan is given by the President to the Exports Council, composed of the three Secretaries of State, Agriculture and Commerce, together with the United States Food Administrator. These officials in turn have each delegated a representative to the formation of an Exports Administrative Board which is instructed to collect all data on the subject of domestic and foreign needs so that a definite recommendation may be

made by it, back to the council. Under this board exists a Bureau of Export Licenses that stands as the clerical mechanism, its duties being to receive applications for export, pass them through the searching test of commodity and trading investigation and then to grant export licenses if the test is survived. Modifications or additions to the controlled list and to the regulations pertaining thereto are deliberated upon by the Exports Administrative Board and transmitted with a recommendation to the Exports Council which considers both the foreign and domestic policy involved and makes its own recommendation to the President, if the matter is one of international significance; whereupon the President renders a decision which goes back again over the same track to the Bureau of Export Licenses with instructions to act. Ordinary export applications go directly to the clerical force and out again.

Another feature of the rationing plan that attracts our attention is the purchase by government of a supply of materials in the country where they originate. Great Britain has bought the entire Australian wool clip for this year and holds it subject to her orders. She also has purchased large amounts of raw sugar which are transported to warehouses in England where they are held subject to scientific distribution to various home refineries, all under agreement to furnish the refined article at reasonable prices, first to the army and then to the public. *The London Times Trade Supplement* is authority for the statement that the following products in substantial quantities are controlled by the British government:

Coffee	Leather	Preserved meat
Coal	Maize	Rubber
Copra	Meat	Sugar
Diamonds	Metals	Tanning materials
Feeding stuffs	Oil seed	Tobacco
Grain	Paper	Wood
Jute and its fabrics	Petrol	Wool

Control in the United Kingdom of these commodities is exercised through the following agencies: Ministry of Food, Army Council, Board of Trade, Ministry of Munitions and other semi-official committees such as the Royal Commission on Sugar, and others. Most of the articles controlled are under the jurisdiction of the Army Council whose authority issues from the Defense of the Realm regulations. While the Army Council is interested primarily

in war materials, so many products are now included under that classification that the Army Council may be said to have in charge the majority of the products controlled by the British government. Whether this outcome is the result of the peculiar operation of the law or of the superior ability of the men composing the committee is unknown to me. This council usually exercises its control by taking possession of stocks existing in the country and in many cases fixing the price for such materials, just as our food administration is empowered by the President to do.

At this date the only commodities that have been bought outright by the British government at the point of production are wool and sugar. The announced motive back of the Australian wool purchase was the desire of that government to utilize the credit which they possessed there for the very immediate benefit of Australia which stood in need of ready funds, but I am disposed to believe that the pressing need of this material in all parts of the world, particularly here, appealed to Great Britain as a trade advantage which should not be neglected. It follows naturally that the owners of the wool will apportion it with a fine regard to reciprocal advantages, both here and in other countries, although I do not mean to say that any sharp purposes will be served.

The same government is also exercising a rationing power over the following stocks which are held in quantity at ports controlled by them, namely: mohair, cotton, linen yarns, flax, jute, hemp, corn, rice, oils, seeds, beans, peas, etc., pork and other meats, together with butter, leather, copper, lead, aluminum, petroleum, tin, rubber, coal tar, wax and cabinet woods. The list is increasing day by day.

To put it briefly, our English relatives have given up the notion that non-interference in trade is essential to the initiative of the individual and his prosperity. They have apparently conceded the principle of governmental control of commodities for the benefit of the nation. Although this means right now a first consideration of army needs, it will mean very soon an equal regard for the needs of the consuming public. That the plan should be developed with an eye to trading possibilities is also natural, even though it is a matter of subordinate importance for some time to come. If I am a competent judge of the situation, I may say that the powerful industrial associations, to which the British government has given power of distribution, are in existence today by

reason of a conviction that large and efficient organizations have ceased to be a public menace and have become a prime requisite for economic survival. Notably in Europe and less notably here, aggregations of capital and coöperative effort have been found necessary to the maintenance of national power at home and abroad.

Italy likewise has placed an embargo on the exportation of the several commodities for which she is famous and they represent the larger part of her industrial activity, notably olive oil, macaroni, tomato paste, etc. With striking consistency she allows the free departure of citrus fruits since this is a surplus product and has no food value as compared with the other commodities. Spain, too, has embargoed olive oil in addition to other commodities which are necessary for the food and industrial activity of her people.

Unless this country takes similar measures in the purchase or control of basic commodities which it does produce or may purchase, we may find ourselves very soon at the mercy of competing nations that will either starve us or force us into bargains which we do not now contemplate. In a measure, but not yet adequate to the situation, we are trying to establish our economic independence by the private purchase of certain raw materials in bulk from Russia, Spain and from South American countries, by the process of an exchange for manufactured commodities which we turn out as characteristic products. We are, however, seriously handicapped by the lack of a merchant marine since we cannot provide transportation after the deal in all other particulars is made.

This is the place, possibly, to express the opinion that when it comes to the final issue in warlike or economic competition, the country which can produce the greater number of basic materials has the whiphand. Consequently, one may not view with complete satisfaction a disproportionate growth of liberal arts manufacture. It is plainly to be seen that the refining process, when dependent upon an outside supply of raw material, is completely at the mercy of the countries which control the raw material.

In the present state of affairs we find the exportation of raw materials mounting steadily since August 4, 1914. Are we losing what others are saving? It is to be hoped that the present export control will partly remedy the situation. Our importation of raw materials for April this year amounted to \$94,094,515, for May, \$108,036,640, and for June, \$114,876,294, a steady increase, whereas

the exportation of finished products has notably declined where they were destined for public consumption; military needs must, of course, be eliminated for a clear judgment of the normal exportation.

The end of the war will not, in itself, expand the supply of available materials. In fact, there is every reason to anticipate a greater disproportion between international needs and the supplies on hand.

When we look back at our exports for the first seven months of 1914, covering breadstuffs, cotton seed oil, cattle, hogs and sheep, meat and dairy products, cotton and mineral oils, we find a total of \$494,294,000. This is in great contrast to the total for the same seven months of 1916 amounting to \$783,981,000; an increase of 80 per cent. Consult, if you please, the identical total covering these commodities for the first seven months of 1917 and you find a matter of \$1,007,065,000, or an increase of approximately 225 per cent on the figures for 1913, when we considered conditions fairly normal. Have we been squandering the riches of our land without much regard for the need of future generations? Such excuse as we have today as purveyors of materials absolutely necessary to the maintenance of our associates in the war, did not exist prior to April, 1917.

The industrial property and homes that will have to be restored to normal activity and usefulness after the war will mean a much greater drain on the world's resources than is now taking place on account of war requirements. In France alone, devastated territory must be built up to the extent of millions upon millions of dollars. In Belgium an even more extensive restoration must be made. When one thinks of the materials which will be requisitioned for these two territories alone, one is justified in wondering whether any price will be too high to pay for any material.

What result will the present and future expenditure of basic materials have on the market supply, if they are not regulated? Very plainly a speedy exhaustion of the available stocks. Before this situation actually arrives, every nation will, I think, automatically adopt a system of embargo on exports, subject first to the needs of its people and second to the exchange possibilities which other nations afford.

It may be expected that an economic alliance of the entire world will eventually come about by the process of one nation pairing with another and those two combining with others until a large

aggregation of them acts as a single comprehensive family. If they eventually join hands covering the entire earth, wherever civilization is in authority, they will be doing nothing more or less than what primitive peoples accomplished by instinct in a smaller way. I refer to the community relations between family, clan and tribe.

Even before our entrance into the war the Entente Allies proposed an economic alliance, comprising all the war associates on their side of the conflict, for operation following the end of hostilities. This proposal has serious defects, however, inasmuch as it is based almost wholly on belligerent motives and is in defiance of the fundamental laws which have compelled commerce as far back as we can see. I cannot conceive that French manufacturers, as an example, can survive international competition if they are forced arbitrarily to buy from Italy or England or Russia or from this country materials that may, on the other hand, be laid at their doors over night by a short railroad haul from Germany. Propinquity in commerce is a cardinal advantage, and is not easily overridden.

As I have said, one may anticipate that rationing committees will appear by government order in all countries. Supplementary to a home committee or organization for the apportionment of domestic products we might have in Italy an expert in olive oils whose duty it is to purchase for dealers in the United States such quantities as the Italian government allows to go out to us; and a marble expert and a silk expert are every bit as probable. These representatives would naturally resolve into a buying commission, whose further part it would be to secure from our own country such commodities in exchange as Italy might want for herself. Likewise, Italy would have her commission on this side. In each country it would be necessary to establish a banking credit, to the end that said credit, if one eventuates, will be remittable to the side whose purchases are short, unless the credit is ordered to stand against further purchases—a very probable outcome. The stabilizing of monetary exchange, so essential to peaceful commerce, would thereby become comparatively automatic. As a matter of fact, vast purchases from Russia have been and are being consummated by such a process at this time, with the financial service performed by American banks, as one might expect.

We must disabuse our minds of the notion, held unconsciously or as a principle of faith, that trading beyond our own boundaries is

abnormal or of importance secondary to domestic trading. Ocean-borne commerce constitutes the bulk of all trading for many European countries, notably Great Britain and Germany. The foreign trade of the first country for 1913, the year prior to the war, amounted to \$5,451,000,000; that of Germany figures \$4,966,000,000. That our own foreign trade ranked third after both those countries, with a figure of \$4,278,000,000, proves to my mind not so much the success of our foreign trade enterprise as it does indicate the tremendous quantities of raw materials which European nations seek from this part of the North American continent. Although it is true that our finished products have been in the ascendancy, nevertheless it is to be noted that the component materials thereof originated very largely in the soil of this country. Of course, it is cheaper in many instances for the European purchasers to take materials in their refined forms than it is to import the raw products in gross bulk, at a great expense for freight and handling, and to then refine it on the other side.

I believe that the era of international rationing has arrived and that our own government must very soon recognize the instinctive need of new organization, both at home and abroad, to plan and maintain a constant supply of prime necessities. In the past, foreign relations have depended very largely on the political fancy of rulers, whether they be part of an autocratic, or monarchical, or republican régime. They may be expected sooner or later to follow the lines of economic association as dictated by the needs of the people.